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SUBJECT: LEBANON: PRESIDENT'S TRIP TO IRAN YIELDS NO NEW ECONOMIC
AGREEMENTS (ECONOMIC WEEK IN REVIEW, NOVEMBER 24 - 30, 2008)

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NO NEW ECONOMIC AGREEMENTS
SIGNED WITH IRAN

¶1. (SBU) Arab nationalist As-Safir reported November 26 that during the visit to Iran of President Sleiman November 24-25, Iranian President Mahmoud Ahmadinejad said a joint Lebanese-Iranian ministerial commission will soon be set up to reinforce bilateral relations, revive previous agreements signed, and follow-up on new agreements. Antoine Constantine, an advisor to Minister of Economy and Trade Mohammad Safadi who accompanied Lebanese President Sleiman to Iran, told us the visit resulted in no new economic agreements, and noted that despite a previous agreement on facilitating bilateral trade, trade flows between the two countries remain small.

CABINET APPROVES MEGAPORTS MOU;
MEASURES TO IMPROVE MOBILE NETWORK

¶2. (U) In its November 27 session, the Lebanese cabinet approved the signing of the memorandum of understanding between the U.S. and Lebanon on the Megaports project. The project covers cooperation to prevent illicit trafficking in nuclear and other radioactive material through provision of equipment and training to Lebanese customs.

¶3. (U) In addition, the cabinet approved a number of measures to improve mobile telecom services, including expanding the mobile network (the first phase of which is expected to be completed by end-April 2009), reducing the price of calls and of other service fees, as well as extending the expiry date of pre-paid minutes from one to three months. The cabinet also gave the go ahead for

the Telecom Ministry to issue tenders, starting in February 2009, for management of the two mobile networks, mandating that there be no fewer than four bidders per contract.

CENTRAL BANK GOVERNOR: EIGHT
PERCENT INFLATION IN 2008

14. (U) On November 20, Central Bank Governor Riad Salameh publicly said that inflation is expected to be approximately eight percent in 2008, and less than six percent in 2009. GDP is expected to reach \$29 billion in 2008, while real growth is estimated at six percent. Salameh asserted that Lebanese interest rates and the exchange rate would remain stable in 2009.

GOL FOCUSES ON WATER MANAGEMENT

15. (U) On November 24, Finance Minister Mohammad Chatah and Minister of Energy and Water Alain Tabourian decided to move forward on the construction of ten dam projects, at an estimated cost of up to \$600 million, according to Blominvest Bank's weekly report. Chatah said that better water management through dams and reservoirs is a priority for Lebanon, and the GOL hopes to move ahead quickly with the projects. Chatah also stressed the importance of tackling national power utility Electricite du Liban's (EDL) staggering deficit, which runs at approximately \$1.5 billion annually.

MINISTRY OF ECONOMY AND
WIPO HOLD IPR SEMINAR

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16. (U) The World Intellectual Property Organization (WIPO), in cooperation with the Ministry of Economy and Trade (MOET), organized a seminar on Industrial Property and the Madrid System on November 25-26. The seminar featured discussions by WIPO specialists on topics such as the Madrid Protocol and its benefits, the Singapore Treaty, and the protection of non-traditional marks. Judge Marlene El Jurr and MOET IPR specialist Wissam Al Amil (both of whom have attended USPTO training programs) gave presentations on trademark enforcement in Lebanon and the role of the IPR Unit at the MOET.

U.S. REMAINS LEBANON'S MAIN
SOURCE OF IMPORTS

17. (U) According to USDOC statistics, U.S. exports to Lebanon increased by 81 percent during the first three quarters of 2008, reaching \$1.08 billion compared to \$599 million during the same period in 2007. According to Lebanese Customs, U.S. exports to Lebanon ranked first followed by China, France, Italy, and Germany. Major U.S. exports to Lebanon include mineral fuel (49 percent of all U.S. exports to Lebanon), automotive products (16 percent), and machinery (9 percent). Meanwhile, Lebanese exports to the U.S. increased by 1.63 percent during the first three quarters of 2008, reaching \$79 million, compared to \$78 million during the same period in 2007. Lebanese Customs noted that major Lebanese exports included prepared foodstuffs (15 percent) and jewelry (5 percent). (Note: The GOL's purchase of fuel oil from the United States for electricity production, and the subsequent subsidizing of the electricity for consumers, is the biggest drag on the Lebanese national budget. See paragraph 5. End note.)

LEBANON RANKS FIRST IN ARAB
ECONOMIC FREEDOM SURVEY

18. (U) In the Canadian Fraser Institute's 2008 Economic Freedom in the Arab World report, Lebanon and Kuwait tied for the top spot in terms of economic freedom among 13 ranked Arab countries. The report evaluates economies based on size of government (at the level of expenditure, taxes, and enterprises), commercial and economic law and security of property rights, access to sound money, freedom to trade internationally, and regulation of credit, labor and

businesses.

EIU: GDP GROWTH TO REACH
3.1 PERCENT IN 2009

19. (U) In its most recent report on Lebanon, the Economist Intelligence Unit (EIU) forecasted GDP growth at 3.1 percent in 2009, down from 4.2 percent estimated for 2008, mostly attributed to uncertainty associated with the upcoming parliamentary elections and spillovers from the global economic crisis. Average consumer price inflation, which the EIU estimates at 12 percent in 2008, is expected to decline to six percent in 2009.

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